



CITY OF SALEM, OHIO INCOME TAX INSTRUCTIONS

INCOME TAX DEPARTMENT • 231 SOUTH BROADWAY AVE.
SALEM, OHIO 44460 • (330) 332-4241 EXT 125
WEB PAGE: www.cityofsalemohio.org
OFFICE HOURS: Monday through Friday 8:30AM to 4:30PM

This is your Salem, Ohio City Income Tax Package. Included are BASIC INSTRUCTIONS, THE TAX RETURN, ESTIMATED PAYMENT VOUCHERS FOR 2009 AND A RETURN ENVELOPE.

MANDATORY TAX FILING - was enacted by City Council beginning with the 1986 Tax Year. **ALL RESIDENTS AND PART YEAR RESIDENTS** of Salem, Ohio eighteen years of age or older are required to file an Annual Tax Return with the Salem City Income Tax Department.

ONLINE TAX RETURN PREPARATION - Now available at www.cityofsalemohio.org - Income Tax. An easy way to prepare your city tax return. Please access to see if you qualify.

RETIRED AND TAXPAYERS WITH NO TAXABLE INCOME - To meet mandatory filing requirements, just check the category that applies to you, sign the form and file with the Tax Department. (Contact our office if you need assistance.)

TAX RATE FOR THE 2008 TAX FILING YEAR IS 1% FOR ALL TAXPAYERS.

BEFORE PREPARING YOUR RETURN - Please review the instructions and the following points:

- **ATTACH ALL REQUIRED FORMS** (W-2, 1099, federal schedules, subcontractor listing)
- **SIGN THE RETURN** (taxpayer and spouse must both sign a joint return)
- **INCLUDE PAYMENT** of any tax due (late payment is subject to penalty and interest charges)
- **FILE** your **TAX RETURN** or your **FILING EXTENSION REQUEST** by April 15. (The Late Filing Penalty is \$25.00)
- **CONTACT OUR OFFICE** if you need assistance

Fred K. Pamer
Income Tax Administrator

GENERAL INSTRUCTIONS

1. WHO MUST FILE: MANDATORY FILING

All Salem Residents and Part Year Residents, Age 18 or older
All Nonresidents working in Salem, and Salem local tax is not withheld
All Resident Businesses of Salem
All Non Resident Businesses performing services in Salem

2. WHEN AND WHERE TO FILE RETURNS:

The **FILING DUE DATE** is **APRIL 15, 2009**
Businesses filing on a **FISCAL YEAR**, must file within 105 days following the end of the period.

FILE THE TAX RETURN FORMS with:
THE CITY OF SALEM, INCOME TAX DEPARTMENT
231 SOUTH BROADWAY AVENUE
SALEM, OHIO 44460-3089

3. **EXTENSION OF TIME TO FILE:** May be granted by the administrator for good cause. Make a written request on or before the due date stating the valid reason. An extension approved by the IRS will be accepted as long as the Salem Tax Department is notified by the original filing due date.

NOT AN EXTENSION TO PAY – PAYMENT OF TAX IS DUE BY THE NORMAL FILING DUE DATE.

4. **DECLARATION OF ESTIMATED TAX FOR THE FOLLOWING YEAR:**
Complete the **DECLARATION** Section of the Tax Form. If a **QUARTERLY ESTIMATE AMOUNT** is indicated, include the First Quarterly Payment with the Tax Return.

QUARTERLY STATEMENTS WILL NOT BE MAILED
QUARTERLY PAYMENT VOUCHERS and a **PAYMENT REGISTER** are included with your tax package.

5. **PENALTY AND INTEREST:** If this return is past due, compute penalty and interest.
Interest - 1½% per month Late Filing Penalty - \$25.00
Late Payment Penalty - 1½% per month (minimum \$10.00)

6. **PART YEAR RESIDENT:** The Tax Return is to be filed covering the time you were a Salem Resident. Report full year income and subtract out income earned as a nonresident (line 4b). Include a copy of your pay statement close to the date moved in or out, and a worksheet explaining the calculation. When income is prorated, any local tax withheld on that income must be prorated.

TAXABLE INCOME INCLUDES (but is not limited to)

1. Income, wages, salaries and other compensation.
2. Bonuses and tip income.
3. Commissions, fees, stock options and other earned income.
4. Deferred Compensation.
5. Sick pay (including third party sick pay).
6. Employer supplemental unemployment benefits (SUB pay).
7. Employee contributions to retirement plans.
8. Net rental income (when total gross rent is \$100 or more per month).
9. Net profits of business or profession, corporation, etc.
10. Income from partnerships, estates or trusts.
11. Ordinary gains and losses as reported on Federal Form 4797.
12. Income from gaming, wagering and lottery.

INCOME NOT SUBJECT TO CITY INCOME TAX

1. Interest or dividend income.
2. Pension and retirement income.
3. Social Security or poor relief.
4. State unemployment benefits.
5. Military active pay allowances (by member of the Armed Forces of the United States).
6. Earnings of person under 18 years of age.
7. Capital gains and losses.
8. Election official (poll worker) income (if less than \$1000.00).
9. Section 125 Cafeteria Plan benefits

INDIVIDUALS - RETIRED OR WITH NO TAXABLE INCOME

- **COMPLETE NAME, ADDRESS AND SOCIAL SECURITY #.**
- **INDICATE RESIDENCY STATUS**
- **TO MEET THE CITY MANDATORY FILING REQUIREMENT - REVIEW THE CATEGORIES IN THIS SECTION**

If any category applies to you and/or your spouse for the ENTIRE YEAR, follow these instructions:

1. Place an X in the TAXPAYER box that applies, and explain as required.
2. **JOINT FILERS** - Place an X in the SPOUSE box that applies and explain as required. If You or Your Spouse has earned income, follow the Instructions for Individuals with Taxable Income.
3. Sign the tax return.
4. **FILE WITH THE SALEM TAX DEPARTMENT** - Tax returns filed late are subject to the \$25.00 late filing penalty (even when no tax is due) - line 9b.

• CATEGORY DESCRIPTIONS

1. **RETIRED** - For the entire year only: Social Security, Pension, Interest or Dividend income, taxpayer is not self employed and does not own rental property.
2. **NON-TAXABLE INCOME** - The only income received during the entire year was from unemployment, welfare, ADC, SSI, etc. - indicate source.
3. Under age 18 – Salem tax applies to persons age 18 and over.
4. **ACTIVE DUTY MILITARY** - Only if active duty member of U.S. Armed Forces for the entire tax year.
5. **DECEASED** - Indicate date - list any taxable income on lines 1 and 2.

INDIVIDUALS - WITH TAXABLE INCOME

- **COMPLETE NAME, ADDRESS AND SOCIAL SECURITY #.**
- **INDICATE RESIDENCY STATUS.**
- **LIST TOTAL QUALIFIED WAGES** on line 1 (attach W-2's).
- **OTHER INCOME** - If you have income other than reported on form W-2, complete Page 2 (Schedules C, E, G and H), return to Page 1 line 2, total income, and compute tax due. (Attach a copy of any Federal Schedules used.)
- **EMPLOYEE BUSINESS EXPENSE DEDUCTION (FORM 2106)** - Line 4b - Recognized only when the expense incurred applies to gross earnings that are in the jurisdiction of the City of Salem. This deduction is permitted only to the extent allowed on the taxpayers Federal Income Tax Return (pursuant to ORC.718.01E). Information required: Federal Schedule A and Form 2106 Allowable expenses will be reduced by the appropriate portion of 2% of the Taxpayers Adjusted Gross income.
- **CREDITS** - Line 8c Credits - Apply only to Salem residents. NOTE: Credit is not permitted for any amount refunded by city of employment.
- **COMPLETE** the DECLARATION OF ESTIMATED TAX section.
- **GRAND TOTAL** - Pay the total amount due.
- **SIGN** the tax return.
- **FILE WITH THE SALEM TAX DEPARTMENT** - Tax returns filed late are subject to penalty and interest charges (even when no tax is due) line 9b.

BUSINESS - NET PROFITS

CORPORATIONS, PARTNERSHIPS, LLCs, ESTATES, TRUSTS, ASSOCIATIONS AND OTHER BUSINESS Entities

Net profits determined on basis of information used for Federal Income Tax purposes, reconciled to City Taxable Income.

- **COMPLETE NAME, ADDRESS, FED ID#, INDICATE RESIDENCY STATUS**
- Page 1 - Line 2 - enter Adjusted Federal Taxable Income (before Net Operating Loss and Special Deductions) - If Loss - enter "0" - Attach a complete copy of the Federal Return
- Reconcile this income using SCHEDULE X on page 2. Adjustments are reported on page 1 lines 4a and 4b.
- Follow Line instructions to calculate the Tax Due on Line 10
- Complete the DECLARATION OF ESTIMATED TAX section
- **GRAND TOTAL** - pay the total amount due
- Include a listing of all subcontractors who worked in Salem throughout the year

SCHEDULE C - PROFIT/LOSS FROM BUSINESS/PROFESSION:

Attach Federal Schedule C. If you operate more than one business, and maintain separate books, a copy of Schedule C should be attached for each business, and the total entered on line 18 (page 2 Salem form). Include a listing of all subcontractors who worked in Salem throughout the year.

SCHEDULE E - INCOME FROM RENTS:

Residents of Salem are subject to the City Income Tax on the net profit of all rental property, regardless of location, when the monthly rental of any real properties aggregate in excess of \$100.00 per month.

Nonresidents of Salem are subject to tax on the portion of such net profit earned from property located in Salem.

Attach Federal Schedule E, and enter total on line 19.

SCHEDULE G - ORDINARY INCOME:

Gain on the disposition of certain depreciable property results in ordinary income subject to the municipal income tax. Federal form 4797 sets out these items and depreciation recaptured which is treated as ordinary income. Individuals must indicate the amount as shown on line 18(b)(2) of their federal form 4797. All other taxpayers except partnerships, must indicate the amount shown on line 18; partnerships will include such amounts in Schedule C or Schedule H.

SCHEDULE H - OTHER INCOME:

Taxable income includes: income from estates, trusts and partnerships (if not paid by the partnership entity), fees, tips, gifts, gaming, wagering, lottery, employee business expenses not included in form W-2. Enter total on line 21.

BUSINESS LOSSES:

A business loss of a previous tax year shall not be allowed or carried forward to reduce the tax due in any subsequent year. Losses from any business activity or occupation not subject to withholding under the ordinance may not be deducted from income received or tax withheld for services performed for an employer or from income received from the net profits of any other business activity or occupation, in whatsoever form.

SCHEDULE X:

This schedule is used to adjust the Federal Net Income to the Salem Taxable Income.

SCHEDULE Y - BUSINESS APPORTIONMENT FORMULA:

For partnerships, corporations, fiduciaries, associations and nonresident business entities doing business within and outside Salem. If the taxpayer did not have a place of business outside Salem during the filing period, the business allocation percentage is 100%.

SCHEDULE Z - PARTNERS DISTRIBUTIVE SHARE OF NET INCOME:

All partnerships and S-corporations must complete this section.